

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE EMPLOYEES RETIREMENT SYSTEM OF
THE GOVERNMENT OF THE
COMMONWEALTH OF PUERTO RICO,

Debtor.¹

PROMESA

Title III

No. 17 CV 1685 (LTS)

No. 17 BK 3566 (LTS)

**NOTICE OF FILING OF JOINT STIPULATION
REGARDING (I) MOTION OF CERTAIN SECURED
CLAIMHOLDERS OF EMPLOYEES RETIREMENT SYSTEM OF THE
GOVERNMENT OF THE COMMONWEALTH OF PUERTO RICO FOR
ADEQUATE PROTECTION AND STAY RELIEF AND RESERVATION
OF RIGHTS AND (II) MOTION OF DEBTORS PURSUANT TO
PROMESA SECTION 301(a) AND BANKRUPTCY CODE SECTIONS
105(a), 362(a), 365, AND 922 FOR ENTRY OF AN ORDER CONFIRMING
APPLICATION OF THE AUTOMATIC STAY, STAY OF PREPETITION
LAWSUITS AND ACTIONS AND APPLICATION OF CONTRACT PROTECTIONS**

PLEASE TAKE NOTICE that, on May 31, 2017, Altair Global Credit Opportunities Fund (A), LLC, Andalusian Global Limited, Glendon Opportunities Fund, L.P., Mason Capital Master Fund LP, Nokota Capital Master Fund, L.P., Oaktree-Forrest Multi-Strategy, LLC (Series B), Oaktree Opportunities Fund IX, L.P., Oaktree Opportunities Fund IX (Parallel 2), L.P., Oaktree Value Opportunities Fund, L.P., Ocher Rose, L.L.C., Puerto Rico AAA Portfolio Bond Fund, Inc., Puerto Rico AAA Portfolio Bond Fund II, Inc., Puerto Rico AAA Portfolio Target Maturity Fund, Inc., Puerto Rico Fixed Income Fund, Inc., Puerto Rico Fixed Income Fund II, Inc., Puerto Rico Fixed Income Fund III, Inc., Puerto Rico Fixed Income Fund IV, Inc., Puerto

¹ Last Four Digits of Federal Tax ID: 9686.

Rico Fixed Income Fund V, Inc., Puerto Rico GNMA & U.S. Government Target Maturity Fund, Inc., Puerto Rico Investors Bond Fund I, Puerto Rico Investors Tax-Free Fund, Inc., Puerto Rico Investors Tax-Free Fund II, Inc., Puerto Rico Investors Tax-Free Fund III, Inc., Puerto Rico Investors Tax-Free Fund IV, Inc., Puerto Rico Investors Tax-Free Fund V, Inc., Puerto Rico Investors Tax-Free Fund VI, Inc., Puerto Rico Mortgage-Backed & U.S. Government Securities Fund, Inc., SV Credit, L.P., Tax-Free Puerto Rico Fund, Inc., Tax-Free Puerto Rico Fund II, Inc., Tax-Free Puerto Rico Target Maturity Fund, Inc., and UBS IRA Select Growth & Income Puerto Rico Fund (collectively, the “ERS Bondholders”) filed the *Motion of Certain Secured Creditors of the Employees Retirement System of the Government of the Commonwealth of Puerto Rico Request for Adequate Protection and for Relief from the Automatic Stay* [Case No. 17 BK 3566 (LTS), ECF No. 26] (the “Adequate Protection Motion”).

PLEASE TAKE FURTHER NOTICE that, on June 9, 2017, the (i) Commonwealth of Puerto Rico, (ii) Puerto Rico Sales Tax Financing Corporation, (iii) Employees Retirement System of the Government of the Commonwealth of Puerto Rico (the “ERS”), and (iv) Puerto Rico Highways and Transportation Authority (collectively, the “Debtors”), by and through the Financial Oversight and Management Board for Puerto Rico (the “Oversight Board”), as the Debtors’ representative pursuant to section 315(b) of the *Puerto Rico Oversight, Management, and Economic Stability Act* filed the *Motion of Debtors Pursuant to PROMESA Section 301(a) and Bankruptcy Code Sections 105(a), 362(a), 365, and 922 for Entry of Order Confirming (I) Application of the Automatic Stay to Government Officers, Agents, and Representatives, (II) Stay of Prepetition Lawsuits and Actions Against Inhabitants of Puerto Rico, and (III) Application of Contract Protections* [Case No. 17 BK 3566 (LTS), ECF No. 64] (the “Automatic Stay Motion”).

PLEASE TAKE FURTHER NOTICE that, on June 16, 2017, the ERS Bondholders filed an objection to the Automatic Stay Motion [Case No. 17 BK 3566 (LTS), ECF No. 84], , which was consensually resolved through revisions to the proposed order granting such motion [Case No. 17 BK 3566 (LTS), ECF No. 152]. By order entered June 29, 2017, the Court granted the Automatic Stay Motion [Case No. 17 BK 3283 (LTS), ECF No. 543].

PLEASE TAKE FURTHER NOTICE that, on June 21, 2017, the ERS, by and through the Oversight Board, filed an objection to the Adequate Protection Motion [Case No. 17 BK 3566 (LTS), ECF No. 98].

PLEASE TAKE FURTHER NOTICE that, at the June 28, 2017 hearing on the Adequate Protection Motion, the parties agreed to negotiate and attempt to resolve the issues pertaining to such motion, and the Court agreed to delay ruling thereon until July 11, 2017, which date was further extended by subsequent Court orders [Case No. 17 BK 3566 (LTS), ECF Nos. 166 and 169].

PLEASE TAKE FURTHER NOTICE that, on July 14, 2017, (i) the Puerto Rico Fiscal Agency and Financial Advisory Authority, pursuant to the authority granted to it under the Enabling Act of the Fiscal Agency and Financial Advisory Authority, Act 2-2017, and the Oversight Board in its capacity as representative of the ERS, (ii) the Bank of New York Mellon, as fiscal agent for pension funding bonds issued by ERS, and (iii) the ERS Bondholders filed the annexed *Joint Stipulation Regarding (I) Motion of Certain Secured Claimholders of Employees Retirement System of the Government of the Commonwealth of Puerto Rico for Adequate Protection and Stay Relief and Reservation of Rights and (II) Motion of Debtors Pursuant to PROMESA Section 301(a) and Bankruptcy Code Sections 105(a), 362(a), 365, and 922 for Entry of an Order Confirming Application of the Automatic Stay, Stay of Prepetition Lawsuits and*

Actions and Application of Contract Protections (the “Stipulation”), establishing a procedure and schedule for the resolution of issues pertaining to the Adequate Protection Motion.

PLEASE TAKE FURTHER NOTICE that copies of the Stipulation, including all exhibits, and all documents filed in these title III cases are available (a) free of charge by visiting <https://cases.primeclerk.com/puertorico> or by calling +1 (844) 822-9231, and (b) on the Court’s website at <http://www.prd.uscourts.gov>, subject to the procedures and fees set forth therein.

Dated: July 14, 2017
San Juan, Puerto Rico

Respectfully submitted,

/s/ Martin J. Bienenstock

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**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE EMPLOYEES RETIREMENT SYSTEM OF
THE GOVERNMENT OF THE
COMMONWEALTH OF PUERTO RICO,

Debtor.

PROMESA

Title III

No. 17 CV 1685 (LTS)

No. 17 BK 3566 (LTS)

**JOINT STIPULATION REGARDING (I) MOTION OF CERTAIN SECURED
CLAIMHOLDERS OF EMPLOYEES RETIREMENT SYSTEM OF THE
GOVERNMENT OF THE COMMONWEALTH OF PUERTO RICO FOR ADEQUATE
PROTECTION AND STAY RELIEF AND RESERVATION OF RIGHTS AND (II)
MOTION OF DEBTORS PURSUANT TO PROMESA SECTION 301(a) AND
BANKRUPTCY CODE SECTIONS 105(a), 362(a), 365, and 922 FOR ENTRY OF AN
ORDER CONFIRMING APPLICATION OF THE AUTOMATIC STAY, STAY OF
PREPETITION LAWSUITS AND ACTIONS
AND APPLICATION OF CONTRACT PROTECTIONS**

To the Honorable United States District Court Judge Laura Taylor Swain:

(i) The Puerto Rico Fiscal Agency and Financial Advisory Authority (“AAFAF”), pursuant to the authority granted to it under the Enabling Act of the Fiscal Agency and Financial Advisory Authority, Act 2-2017, and the Financial Oversight and Management Board for Puerto Rico (“FOMB”) in its capacity as representative of the Employees Retirement System of the Government of the Commonwealth of Puerto Rico (“ERS”), (ii) The Bank of New York Mellon (the “Fiscal Agent”), as fiscal agent for pension funding bonds issued by ERS, and (iii) Altair Global Credit Opportunities Fund (A), LLC, Andalusian Global Designated Activity Company, Glendon Opportunities Fund, L.P., Mason Capital Master Fund LP, Nokota Capital Master Fund, L.P., Oaktree-Forrest Multi-Strategy, LLC (Series B), Oaktree Opportunities Fund IX, L.P.,

Oaktree Opportunities Fund IX (Parallel 2), L.P., Oaktree Value Opportunities Fund, L.P., Ocher Rose, L.L.C., Puerto Rico AAA Portfolio Bond Fund, Inc., Puerto Rico AAA Portfolio Bond Fund II, Inc., Puerto Rico AAA Portfolio Target Maturity Fund, Inc., Puerto Rico Fixed Income Fund, Inc., Puerto Rico Fixed Income Fund II, Inc., Puerto Rico Fixed Income Fund III, Inc., Puerto Rico Fixed Income Fund IV, Inc., Puerto Rico Fixed Income Fund V, Inc., Puerto Rico GNMA & U.S. Government Target Maturity Fund, Inc., Puerto Rico Investors Bond Fund I, Puerto Rico Investors Tax-Free Fund, Inc., Puerto Rico Investors Tax-Free Fund II, Inc., Puerto Rico Investors Tax-Free Fund III, Inc., Puerto Rico Investors Tax-Free Fund IV, Inc., Puerto Rico Investors Tax-Free Fund V, Inc., Puerto Rico Investors Tax-Free Fund VI, Inc., Puerto Rico Mortgage-Backed & U.S. Government Securities Fund, Inc., SV Credit, L.P., Tax-Free Puerto Rico Fund, Inc., Tax-Free Puerto Rico Fund II, Inc., Tax-Free Puerto Rico Target Maturity Fund, Inc., and UBS IRA Select Growth & Income Puerto Rico Fund (collectively, the “Bondholders” and together with the Fiscal Agent, the “Creditors”; the Creditors together with AAFAF, the Commonwealth of Puerto Rico, ERS and FOMB, the “Parties” and each, a “Party”), by and through their attorneys, hereby stipulate as follows:

1. ERS issued certain bonds (the “ERS Bonds”) pursuant to a resolution adopted by the board of trustees of ERS on January 24, 2008 and supplemental resolutions adopted thereafter (together, the “ERS Bond Resolutions”).

2. On May 21, 2017, ERS commenced a proceeding under Title III of the Puerto Rico Oversight, Management, and Economic Stability Act (“PROMESA”).

3. On May 31, 2017, the Bondholders filed their *Motion of Certain Secured Creditors of the Employees Retirement System of the Government of the Commonwealth of*

Puerto Rico Request for Adequate Protection and for Relief from the Automatic Stay (Doc. No. 26) (the “Bondholders’ Motion”).

4. On June 19, 2017, the Fiscal Agent filed its *Limited Response and Joinder of The Bank of New York Mellon, as Fiscal Agent, to Motion of Certain Secured Creditors of the Employees Retirement System of the Government of the Commonwealth of Puerto Rico Request for Adequate Protection and For Relief from the Automatic Stay* (Doc. No. 392).

5. On June 28, 2017, the Court held a hearing on the Bondholders’ Motion and directed the Parties to submit any stipulation by July 10, 2017 as to any agreement to resolve the Bondholders’ Motion.

6. On June 30, 2017, legislation was enacted as House Resolutions 186, 187 and 188 (the “Legislation”).

BASED ON THE FOREGOING, THE PARTIES HEREBY STIPULATE AND AGREE AS FOLLOWS:

A. On or before July 21, 2017, ERS, through its representatives, shall file an adversary complaint with this Court, seeking solely declaratory relief regarding (a) the validity, priority, extent and enforceability of the prepetition and postpetition liens and security interests asserted by the Bondholders with respect to the ERS Bonds, and (b) the ERS’s rights with respect to employer contributions received during the month of May 2017 (the “Declaratory Relief Action”). The Creditors shall have the right, but not the obligation, to counterclaim on (a) matters pertinent to the main claims, and (b) the Creditors’ rights and remedies with respect to employer contributions received by the ERS during the month of May 2017, but no other claims may be made by either side in the Declaratory Relief Action, except upon further order of the Court.

B. The briefing schedule attached hereto as Schedule 1 shall apply to the Declaratory Relief Action.

C. By entry into this stipulation, the Bondholders' Motion is resolved, without prejudice to being re-filed on or after October 31, 2017, or due to changed circumstances. The term "Briefing Period" shall mean the date hereof through and including the date that the Court renders a ruling with respect to the Parties' motions for summary judgment on the Declaratory Relief Action in accordance with Schedule 1 (the "Briefing Period"). Subject to the right to re-file the Bondholders' Motion seeking further adequate protection as provided herein, the Parties agree that the satisfaction of the commitments of the Commonwealth of Puerto Rico (the "Commonwealth"), ERS, AAFAF and the FOMB contained herein shall constitute adequate protection of the Bondholders' and the Fiscal Agent's interests in property until October 31, 2017 solely with respect to imposition of the automatic stay. The automatic stay extant in ERS's Title III case shall remain in effect until further Court order or statutory expiration, including Bankruptcy Code section 362(e) with respect to any subsequent motion for stay relief.

D. Interest on the ERS Bonds shall be paid when due through the interest payment due on October 1, 2017 from the prepetition segregated account established pursuant to the Order and Stipulation dated January 17, 2017 (the "Prepetition Segregated Account"), commencing with the interest payment that became due on July 1, 2017. For the avoidance of doubt, and notwithstanding anything herein to the contrary, ERS shall not transfer any additional funds that it will receive on or after the date hereof, to the Prepetition Segregated Account. All Parties reserve all rights and defenses with respect to such payments or the Bondholders' and Fiscal Agent's rights to future payments on the ERS Bonds based on, among other things, the outcome of the Declaratory Relief Action.

E. All Parties reserve all rights with respect to the Legislation. Without limiting the generality of the foregoing, no Creditor has or is consenting to such Legislation or any other legislation (including its validity, legality, or enforceability) in any way, and any delay by any Party in exercising any rights relating in any way to the Legislation or any additional action that may be taken by the Commonwealth, ERS, AAFAF, any employer or the FOMB until the Declaratory Relief Action is decided shall not be a basis to object to such rights.

F. The Commonwealth shall cause to be deposited the amounts set forth on Schedule 2 on the respective dates indicated on Schedule 2 into a new post-petition segregated account of ERS (the “Post-Petition Segregated Account”), which amounts shall be deemed to be made by entities other than the Commonwealth in respect of retirement benefits owed to retirees of such entities, which Post-Petition Segregated Account shall be and hereby is made subject to a security interest and lien in favor of the Creditors having the same prepetition and postpetition validity, attachment, perfection, priority and enforceability, if any, and subject to the same defenses, if any, as existed prior to the commencement of the ERS Title III case, with respect to the liens and security interest referred to in paragraph A of this Joint Stipulation. The ERS shall transfer to the Fiscal Agent for the payment of interest on the ERS Bonds, no later than 2 business days after entry of an order approving this Stipulation, those amounts from the Prepetition Segregated Account necessary to pay interest that became due and payable on July 1, 2017. Thereafter, until the conclusion of the Briefing Period, ERS shall transfer from the Prepetition Segregated Account to the Fiscal Agent for the payment of interest on the ERS Bonds, no later than the 20th day of each subsequent month, the amount necessary to pay interest on the ERS Bonds due and payable on the first day of the next succeeding month, in accordance with the ERS Bond Resolutions. In the event the Court enters a final order invalidating or

avoiding all or any portion of such prepetition or postpetition liens or security interests, and after the exhaustion of all applicable appeals, (a) the Creditors' lien on the Post-Petition Segregated Account and the amounts deposited therein shall be invalidated or avoided, as applicable, to the extent set forth in such ruling, and (b) all or a portion of the funds in the Post-Petition Segregated Account, depending on the extent of the Court's ruling, shall be remitted to the Commonwealth. For the avoidance of doubt, in the event that the Court finds that (a) the Bondholders' liens on the prepetition assets of ERS are valid, perfected and enforceable, but (b) the liens asserted by the Bondholders do not extend to employer contributions received by ERS after the filing of its Title III petition pursuant to 11 U.S.C. § 552(a), then the lien on the Post-Petition Segregated Account established hereby shall be released, subject to the rights of the Bondholders to seek a replacement lien or other adequate protection with respect to any diminution in value of their prepetition collateral. Except as set forth on Schedule 2, no further deposits into the Post-Petition Segregated Account shall be required without further Court order until the Briefing Period ends, at which time the rights of the Parties will be determined by applicable law.

G. The Parties each reserve all of their respective rights and defenses concerning the validity, attachment, perfection, priority, and enforceability of the Creditors' liens and security interests to any payments, rights to payments, obligations or property affected by the Legislation or otherwise.

H. Except as expressly provided in this Stipulation or in the Order approving it, nothing in this Joint Stipulation or the Order approving this Joint Stipulation is intended to or shall prejudice whatever rights the Parties have pursuant to Title III of PROMESA. Without limiting the generality of the foregoing, nothing herein shall constitute a waiver of any automatic stay applicable under Title III of PROMESA. For greater certainty, neither this paragraph, nor

anything else contained in this Stipulation expands or extends the scope of the automatic stay in any Title III case.

I. All other rights, claims and remedies of the Parties are expressly reserved.

J. The Parties consent to this Joint Stipulation and the Order approving this Joint Stipulation.

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Agreed to as of: July 14, 2017

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/s/ John K. Cunningham

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Puerto Rico Fund

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Schedule 1

<u>Deadline</u> ¹	<u>Action</u>
7/17/17	Bondholders to submit to ERS and FOMB an informal list of document requests, with rights reserved to supplement with formal discovery after filing of Declaratory Relief Action
7/21/17	ERS, through its representatives, to file Declaratory Relief Action
7/24/2017	Deadline to serve requests for production of documents
8/2/2017	Deadline to serve responses to requests for production of documents
8/8/2017	Deadline for Bondholders to file responsive pleadings to Declaratory Relief Motion, including any counter-claims.
8/22/17	Deadline for ERS to respond to counterclaims
8/25/2017	Deadline for production of documents, written certification by respondents that production of documents has been completed. Plaintiffs will produce a privilege log compliant with the provisions of S.D.N.Y. Local Civil Rule 26.2
9/20/2017	Deadline for completion of depositions
10/1/17	Deadline to file motions for summary judgment on issues relating to perfection and application of section 552 of the Bankruptcy Code
10/15/17	Deadline to file oppositions to motions for summary judgment
10/22/17	Deadline to filed replies to oppositions to motions for summary judgment
10/31/17 (subject to Court's schedule)	Hearing on motions for summary judgment

¹ The parties agree that there will be no expert testimony in connection with the Declaratory Relief Action, and if any experts are to testify in connection with the Declaratory Relief Action, a new schedule and new adequate protection arrangement must first be agreed to among the Parties.

Schedule 2

<u>Date</u>	<u>Amount</u>
On the second business day after the entry of an order approving this Stipulation	Amount of Employers' Contributions (as defined in the ERS Bond Resolutions) actually received by ERS from May 22, 2017 through and including May 31, 2017.
On the second business day after the entry of an order approving this Stipulation	\$18,500,000
On each of July 31, August 31, and September 30, 2017, and October 31, 2017	\$18,500,000

Exhibit A

**UNITED STATES DISTRICT COURT
FOR THE DISTRICT OF PUERTO RICO**

In re:

THE FINANCIAL OVERSIGHT AND
MANAGEMENT BOARD FOR PUERTO RICO,

as representative of

THE EMPLOYEES RETIREMENT SYSTEM OF
THE GOVERNMENT OF THE
COMMONWEALTH OF PUERTO RICO,

Debtor.

PROMESA

Title III

No. 17 CV 1685 (LTS)

No. 17 BK 3566 (LTS)

**ORDER APPROVING JOINT STIPULATION REGARDING (I) MOTION OF
CERTAIN SECURED CLAIMHOLDERS OF EMPLOYEES RETIREMENT SYSTEM
OF THE GOVERNMENT OF THE COMMONWEALTH OF PUERTO RICO FOR
ADEQUATE PROTECTION AND STAY RELIEF AND RESERVATION OF RIGHTS
AND (II) MOTION OF DEBTORS PURSUANT TO PROMESA SECTION 301(a) AND
BANKRUPTCY CODE SECTIONS 105(a), 362(a), 365, and 922 FOR ENTRY OF AN
ORDER CONFIRMING APPLICATION OF THE AUTOMATIC STAY, STAY OF
PREPETITION LAWSUITS AND ACTIONS
AND APPLICATION OF CONTRACT PROTECTIONS**

Upon consideration of the *Joint Stipulation Regarding (I) Motion of Certain Secured Claimholders of Employees Retirement System of the Government of the Commonwealth of Puerto Rico for Adequate Protection and Stay Relief and Reservation of Rights and (II) Motion of Debtors Pursuant to PROMESA Section 301(A) and Bankruptcy Code Sections 105(A), 362(A), 365, and 922 for Entry of an Order Confirming Application of the Automatic Stay, Stay of Prepetition Lawsuits and Actions and Application of Contract Protections* (the “Stipulation”),² a copy of which has been provided to the Court, as agreed to by and among the above-captioned debtor (the “Debtor”) and the Creditors named therein, it is hereby

² Capitalized terms used herein without definitions have the meanings given to them in the Stipulation.

ORDERED that the Stipulation is APPROVED; and it is further

ORDERED that the briefing schedule set forth in Schedule 1 to the Stipulation is APPROVED; and it is further

ORDERED that the Parties are hereby authorized to take any and all actions reasonably necessary to effectuate the terms of the Stipulation; and it is further

ORDERED that this Court shall retain jurisdiction over any and all matters arising from or related to the implementation or interpretation of the Stipulation or this Order.

Dated: _____, 2017
San Juan, Puerto Rico

THE HONORABLE LAURA TAYLOR SWAIN:
UNITED STATES DISTRICT COURT JUDGE